



FEDERAL BUREAU OF INVESTIGATION

HUEY P. LONG

PART 4 OF 7

FILE NUMBER: 62-32509
SECTIONS: 5 THRU 7

62-32509

Section

5

ACH:AI
62-32509-129 ✓

RECORDED

August 3, 1939

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR ASSISTANT ATTORNEY GENERAL ROGGE

There is enclosed herewith a copy of the report of Special Agent G. W. Dunker, dated at New Orleans, Louisiana, July 2, 1939, relative to the investigation being conducted in Louisiana.

A copy is likewise being furnished to the Attorney General.

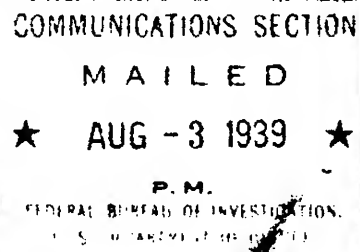
Very truly yours,

John Edgar Hoover
Director

Enclosure

Mr. Tolson.....
Mr. Nathan.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Coffey.....
Mr. Egan.....
Mr. Glavin.....
Mr. Crowl.....
Mr. Harbo.....
Mr. Lester.....
Mr. Lawler.....
Mr. Nichols.....
Mr. Quinn.....
Mr. Nease.....
Miss Gandy.....

DE-INDEXED
DATE: 7-1-77
13



RECORDED
INDEXED

NOT
SMT

ACH:AI

62-32509-129

August 3, 1939

RECORDED

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR THE ATTORNEY GENERAL

There is enclosed herewith a copy of the report of Special Agent G. W. Dunker, dated at New Orleans, Louisiana, July 2, 1939, relative to the investigation being conducted in Louisiana.

A copy is likewise being furnished to Assistant Attorney General U. John Rogge.

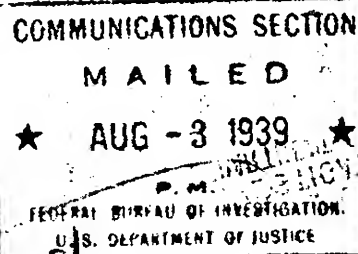
Respectfully,

J. Edgar Hoover

John Edgar Hoover
Director

Enclosure

Mr. Tolson	.....
Mr. Nathan	.....
Mr. T. A. Tamm	.....
Mr. Clegg	.....
Mr. Coffey	.....
Mr. Egan	.....
Mr. Glavin	.....
Mr. Crowl	.....
Mr. Harbo	.....
Mr. Lester	.....
Mr. Lawler	.....
Mr. Nichols	.....
Mr. ....	.....



Federal Bureau of Investigation
United States Department of Justice
New Orleans, La.
July 3, 1939.

Mr. Tolson	.....
Mr. Nathan	.....
Mr. E. A. Tamm	.....
Mr. Clegg	.....
Mr. Coffey	.....
Mr. Egan	.....
Mr. Glavin	.....
Mr. Crowl	.....
Mr. Harbo	.....
Mr. Lester	.....
Mr. Lawler	.....
Mr. Nichols	.....
Mr. Rosen	.....
Mr. Sears	.....
Mr. Quinn Tamm	.....
Mr. Tracy	.....
Miss Gandy	.....

Director,
Federal Bureau of Investigation,
Washington, D. C.

Re: LOUISIANA STATE OFFICIALS;
INFORMATION CONCERNING.

Dear Sir:

I am transmitting herewith the Bureau's copies of the report of Special Agent C. W. DUNKER, New Orleans, dated July 2, 1939, setting out details of interviews conducted with State Senator JAMES A. NOE, State Treasurer A. P. TUGWELL, and other individuals concerning the general situation in the State of Louisiana, and also giving the details of the 5% salary contributions made by State employees to the Louisiana State Political Party.

These interviews and information concerning the 5% salary contributions were made pursuant to the request of U. S. Attorney RENE A. VIOSCA at New Orleans, with the approval of the Director, and it is, therefore, respectfully requested that you authorize me to furnish MR. VIOSCA with one copy of the report mentioned.

Very truly yours,

B. E. Sackett
B. E. Sackett,
Special Agent in Charge.

BES:WH
62-978

AIRMAIL-SPECIAL DELIVERY

RECORDED
&
INDEXED

FEDERAL BUREAU OF INVESTIGATION	
JUL 8 1939	
U. S. DEPARTMENT OF JUSTICE	

TAMM
TWO

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **New Orleans, Louisiana**

FILE NO. **62-978**

ALS

REPORT MADE AT NEW ORLEANS	DATE WHEN MADE 7-2-39	PERIOD FOR WHICH MADE 6-28 to 30-39	REPORT MADE BY C. W. DUNKER
TITLE LOUISIANA STATE OFFICIALS		CHARACTER OF CASE INFORMATION CONCERNING	

SYNOPSIS OF FACTS:

Interviews with State Treasurer, officials State Highway Dept., and official U.S. Bureau Public Roads indicate that caution is exercised in connection with collecting 5% contributions from State salaries so that no contribution will be obtained from any person whose salary may be reimbursed in whole or in part by Federal Government, so far as State Highway Department is concerned, and that this practice has been uniform since 1935. Information received that 5% contributions obtained from employees of all but few State departments, and indications are this money accumulated by J. M. FUSH, Business Mgr., Board of Commissioners of Dock Board of State of La., at New Orleans. State Party reported to have no Treasurer who takes care of or makes accounting of party funds or of these contributions. JAMES A. NOE, State Senator of Louisiana, advised he had promised newspapermen everything he got on irregularities in La.; that 5% contribution is collected by heads of State departments from employees who are paid with mingled State and Federal funds, but claimed he would not supply complete detail of irregularities unless he could be assured Washington would carry through prosecution. CHESTER MARTIN, formerly employed La. State Highway Commission, alleged he paid 5% kickback contribution. JOHN CAMERON NELSON, former employee of State Employment Bureau, under subpoena to appear before grand jury inquiring into WPA irregularities, claims that officials of State Employment Bureau, including B. W. CASON, have embezzled Social Security funds paid out under unemployment compensation by causing duplicate pay orders to be issued which were subsequently destroyed after checks issued thereon had been cashed by employees.

APPROVED AND FORWARDED: <i>[Signature]</i> SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES			
COPIES OF THIS REPORT 5 Bureau 5 New Orleans COPIES DESTROYED 170 SEP 17 1964	62	32509	129	JUL 24 1939
	JUL 8 4 P.M. TBO			

AT BATON ROUGE, LOUISIANA

The following investigation was conducted by Special Agents J. O. PEYRONNIN and C. E. WEEKS:

On June 28, 1939, on telephonic instructions of Special Agent in Charge, Agents interview Mr. ANDREW P. TUGWELL, State Treasurer for the State of Louisiana at his office. Mr. TUGWELL confirmed items appearing in newspapers of recent date to the effect that he had been calling on his opponents in the gubernatorial race to explain the disposition of the 5% deductions from salaries made from numerous employees of the State of Louisiana. He said that he does not pay 5% of his salary to anyone; that it is not deducted; and that no such deductions are made in his office; that when he first took office in 1934, J. M. FUSH, Business Manager of the Board of Commissioners, Dock Board of the State of Louisiana, came to his office and talked to one of his assistants and asked for the 5% contribution from his employees; that he was informed that Mr. TUGWELL was not there. He came back the next month and at that time he was informed that he was not going to get any 5% contributions from that office. He never came back and has never made any attempts to secure such deductions from the employees of the State Treasurer's office. Mr. TUGWELL said that he does not believe that such contributions are made in the Department of Education, and possibly one or two of the other departments, but he believes that other than that the practice is pretty general; this, of course, he says he cannot state as a matter of firsthand knowledge, but it is a matter of hearsay, and he is satisfied in his own mind this is a practice and procedure. He said, however, that he has no information that would tend to prove that this is obtained by extortion; that he has never heard of any individual being relieved of his duties for failure to make such payments, and he feels it is quite possible no person ever has been fired for refusal or failure to make these contributions. He stated that they are not actual deductions from the salary checks of the employees, but that they are collections of cash amounting to 5% of the monthly salary, made once a month. He recalled the case of CHESTER MARTIN which received a great bit of notoriety, in which case MARTIN, an employee of the State Highway Commission, alleged that deductions were being made from salaries of employees of the State Highway Department engaged on Federal Aid Projects. He stated that MARTIN made a mistake in that case because MARTIN had refused to make the contributions and was never fired for that; as a matter of fact, MARTIN continued in his employment for some time and then commenced outside activities attempting to bring the matter to a head in the State Senate, and made such a nuisance of himself that they were apparently justified in relieving him of his duties. When questioned as to whether he could name any source of information where first-hand evidence of such collections being made could be secured, he stated that he could not, despite the fact that he is satisfied that thousands of State employees do make such contributions. When asked what disposition is made of the money collected, he stated that there is no information available to him as to where the money

does go and that he does not know for a fact, but he strongly believes that all this money is collected by FUSH and turned over to Mayor ROBT. S. MAESTRI of New Orleans. The ostensible purpose for this collection is to provide the party with campaign funds. When asked if he had ever benefitted from such campaign funds he stated that he had not; that at the time he ran for his present office he paid all of his own expenses, such as traveling expenses, but as far as advertisements for the ticket, which included the use of a bandwagon, etc., he received a "free ride" and he does not know how that part of the campaign was financed.

When questioned as to whether the Democratic Party or the Administration faction of the Democratic Party had a treasurer with whom the funds of the party were deposited, he stated that if they had such an office or position he had never heard of it; that there is no party treasurer, and he did not know any way any accounting has ever been made of any contributions or campaign funds within the State. Asked how this practice was inaugurated, he stated that during the administration of HUEY P. LONG, he occasionally levied a demand for contributions of 5% of the state employees' salaries when his campaign expenses required it, but that when RICHARD W. LECHE became Governor this became a permanent thing and the state employees were required to make these contributions, not only when needed but every month. He had no information as to the uses the fund derived from such contributions was put to, but said that he had heard that certain persons were on the State payrolls whom he had never been able to find were on any particular State payroll, and assumed that they were receiving a salary out of this fund; he mentioned, for example, DR. GEORGE LONG, brother of the present Governor and the late Senator HUEY P. LONG, and also Mrs. LONG, the widow of the late Senator LONG. He said it is quite probable they are drawing a salary from this fund, although he does not know that for a fact. He stated that whatever use or disposition is being made of the funds, he believed that no one would be paying income tax on it, and that would probably be the best angle to approach an investigation or prosecution from; that he does not believe any coercion could ever be proven. When questioned as to the possibilities of Federal funds finding their way into such contributions, he stated that it is very doubtful to him that such is the case, or if so, that such could be proven to be the case. He said the State Highway Department is the chief beneficiary of Federal Aid among the state departments; that he understands that the Welfare Department and Labor Departments also receive some Federal funds, but he could not elaborate on this or explain just the nature of these funds or the uses to which they were put. However, he said as to the Highway Department, that there are certain projects toward which the Government makes grants or extends Federal Aid; that it is his understanding these are all contractual projects, and that the government aid goes to the payment of contractors except that one branch of employees of the Highway Department known as the engineers and draftsmen do some work on these projects, and it is his belief that their salaries were reimbursed in whole or in part by the Federal Government, and he said that a check could be made as to this angle of it. However, he said it

is quite possible that if such is the case, those particular employees are not making contributions because he is certain the persons within the administration had been very careful not to involve themselves in violations of any federal statutes in connection with such activities. Asked as to the handling of Federal funds through his office, he stated that there is maintained an account in the bank for each department and possibly several accounts for a department; that, for example, in connection with the Highway Department, a certain amount of money is appropriated for their use each year and when such money is available to his office it is deposited to the account of the Highway Department in what is known as the General Highway Fund. He stated that when Federal funds have been furnished his office for the State Highway Department, they are deposited in an identical manner as State funds, and his office maintains no separation of such funds, but they are mingled so far as his office is concerned, and that so far as his office is concerned no accounting has to be made for the use of such funds; that his office merely acts as a bank or depository for funds of the State, the uses of which have been designated by the Legislature, and that when withdrawals are made vouchers are prepared which must be sent with the proper proofs to the State Auditor's office, where they are approved and they are then sent to his office and paid without question by his office. He did not know exactly how the individual departments made their accounting to the Government for the use of funds of the Government, or how it claimed reimbursements from the Federal government for the funds that have been expended. He stated that that information would have to be obtained directly from the department itself. Mr. TUGWELL was asked if he had any information as to what total the monthly contributions might reach and he stated that while he had no factual information, in his opinion, it probably ran as high as \$20,000 or \$25,000 per month from his judgment of the number of State employees and the probable extent of the State payroll.

During this interview, Mr. TUGWELL exhibited to agents a letter he received dated June 26, 1939 from ROBERT C. WEBER, 2812 Laurel Street, New Orleans, which read as follows:

"Dear Sir:

I would like for you to let me have some information. I have been told that my name is or has been carried on the state payroll for \$100 per month. I have been suffering on account of this because lots of my friends said to me I don't need any work. This check is said to come to Joe Weber, Assessor of the 4th District, 10th and 11th Wards in New Orleans. I would like for you to secure one of the checks or tell me if this is true."

"Hoping to hear from you soon,

Yours very truly,
/s/ ROBERT C. WEBER "

Mr. TUGWELL said that such letter indicated to him that there were probably numerous fictitious persons on such payrolls throughout the state; that, however, he had no way in which he could personally check the present instance or check any such instance.

Incidental to this interview, Mr. TUGWELL also mentioned that while his office is a depository for State funds, it does not handle funds of the Louisiana State University or the Charity Hospital, at New Orleans; and that his office had a contact with WPA funds, PWA funds, or other government grants or contributions. Mr. TUGWELL remarked that the Department of Education of the State of Louisiana sold five or six millions of dollars of bonds five or six months or so ago, and that in addition to these five or six millions of dollars of bonds, the United States Government gave the Department of Education a grant of about four millions of dollars; that, however, none of these funds or monetary matters were handled through his office.

It might be noted, in this connection, that Mr. TUGWELL was not very familiar with the functions of his office in handling funds, as indicated by his reaction to a number of the questions put to him, and he was forced to call upon assistants to advise him as to the manner in which funds received from the Federal government were deposited and as to whether any accounting was kept as to the uses of such funds.

It may be noted, in this connection, that Mr. TUGWELL frequently referred to as "PAT" TUGWELL, is from Winnfield, Louisiana and is a candidate for Governor of the State of Louisiana; that he was previously chairman of the Highway Commission of the State of Louisiana, and he informed agents that previous to that he was connected for a number of years with the railway owned and operated by the Tremont Lumber Company at Winnfield, Louisiana.

It was ascertained that ALICE LEE GROSJEAN, who in private life is MRS. WILLIAM A. THARPE, resides at 727 Lafayette Street, Baton Rouge, Louisiana, telephone number being 3340. She was absent from the city during this investigation.

Interview was had with J. M. NUGENT, Vice Chairman, State Highway Commission, in the absence of the Chairman, Mr. ABERNATHY. When questioned as to whether he contributes 5% of his salary each month to any person, he stated that he does not, but that he wished 5% was all he had to contribute; that he makes contributions whenever he is called upon for same, after securing advice as to how much he ought to contribute. He said that it is a common practice for 5% of the salaries of the most of the employees of the State Highway Department to be collected as contributions to campaign funds by FOSTER COUVILLION, Purchasing Agent for the Department, but he said he did not know to whom these funds were paid by Mr. COUVILLION; that he did not know who was the treasurer of the party or of the faction of the party to which he belonged who handled these funds, or anything further about them after they reached Mr. COUVILLION. He stated that

no one is forced to make such contributions according to his understanding, and so far as he knows no one has ever been fired or subjected to any administrative action for failure to make such payments. He stated that as long as he does not have to make them himself, he does not try to follow what is done with them. When questioned as to whether any of the employees of the department engaged on Federal Aid Projects made such payments, he stated he is certain they did not. When questioned as to the nature of Federal Aid received by his department, he informed frankly that he is not altogether familiar with it and it would be necessary for him to call upon the employee of the department who handles Federal Aid to find out.

Accordingly, interview was had with W. D. POSTELL, Assistant Office Engineer in Charge of Federal Aid of the State Highway Department, this interview being made in the presence of Mr. NUGENT, who stated that he himself was interested in finding out how federal funds were handled by his department. Mr. POSTELL explained that under the Federal Highway Act of 1916, Federal contributions known as Federal Aid, were made to each state on the basis of population, area and number of miles in the state highway system. This money is derived from the excise tax on automobiles on the basis of the amount of such taxes obtained or collected in the year 1916. Each state is advised of its allotment for each fiscal year; thereupon the state which has, of course, furnished the Federal government through the United States Bureau of Public Roads, a plan of its Federal Aid highway system, which should not exceed 7% of the total mileage of roads within the state, which limitation is made by statute. He stated for the fiscal year closing on the date of the interview, which was June 30, 1939, the State had received \$1,791,000 of regular Federal Aid; in addition to that they had received an apportionment of \$358,000 for "feeder" roads, which is for the benefit of farmers to reach the state highway system. In addition to this, under the emergency act, they received a grant of \$2,000,000 to be used exclusively in the elimination of grade crossings. These grants or appropriations by the Federal Government may be used only for the payment of contract work let under a system of bidding approved by the U. S. Bureau of Public Roads, the bid of the lowest bidder being accepted in event investigation proves him satisfactory both to the State and to the U. S. Bureau of Public Roads. The State makes up what is known as a P. S. & E. Plan -- this is a Plan, Specifications and Estimate -- on each project that is to be undertaken during the fiscal year. This plan is submitted to the U. S. Bureau of Public Roads for approval. If approved, then the contracts are let. On each one of these estimates is added 10% for engineering and contingencies which is not paid or allowed by the Federal Government until the entire project has been completed, and then only if the cost of such services does not exceed 10% of the contract. On each Federal Aid Project undertaken are resident engineers. These resident engineers may not devote their full time exclusively to that particular Federal project; they may put just one day a month or one, two, or any given number of days; they may be engaged in connection with two or three federal projects or they may work two or three days each month and the remainder of the month on a purely State

project. When each Federal project is undertaken and when work actually commences, they write a letter to J. A. ELLIOTT, District Engineer, U.S. Bureau of Public Roads, Fort Worth, Texas, advising the date on which work began and the name of the resident engineer and the name of the contractor are submitted. The engineer, of course, is a State employee.

Mr. POSTELL stated that every employee of the State Highway Department makes a contribution of 5% of his salary each month to MR. FOSTER COUVILLION, Purchasing Agent, as a contribution to campaign expenses, except those individuals who work in connection with the Federal Aid projects; that even if an individual works one day on one of these projects he is not required or asked or permitted to make such a contribution. He stated that he himself makes this contribution and that he was hoping that his salary might be reimbursed by the Federal government so that he could get out of paying the 5%. He stated, however, that no one is forced to pay this 5%; that there are some individuals in the Department who have been refusing to pay it and they have never been fired, and no one has ever taken action against them. He stated from that it does not appear to him that it is a matter of actual coercion.

As to the manner in which Federal funds are contributed to these projects, Mr. POSTELL explained that as work progresses on a particular Federal Project, the contractor bills the State Highway Commission for his estimate of expenditures for the month, including the labor and materials, all of them being furnished by the contractor. The Highway Department then upon looking this over if they find it is satisfactory pays him 85% of his estimate, reserving 15% for contingencies. They then submit the voucher to the U. S. Bureau of Public Roads, whose local office is in the Post Office Building, where it is audited and approved and sent to the District Engineering Office in Fort Worth and from there to the head of the Bureau in the Department of Agriculture in Washington, D. C. for ultimate payment. However, as to the resident engineers or any employees of the State Highway Department engaged in connection with the project, the Federal Government will not pay any funds until the project has been absolutely completed, at which time the final estimates on the project are drawn up and the name of each resident engineer or other State employee engaged on the project is furnished, together with the statement of the number of days he worked each particular month on that particular project; that that information is sent to the local office of the Bureau together with the full recapitulation of the cost of the project, and if everything is satisfactory to that Bureau, it will reimburse the State for the engineering cost on the same basis it will reimburse the State for other contractual expenditures, which is on the basis of 50%. There are certain items of such projects which the U. S. Bureau of Public Roads will not approve and will not contribute to, such as right of way, either purchasing or making available right of way.

Mr. POSTELL exhibited to Agents records kept in connection with the Federal Aid projects. It is noted that in the final accounting there is attached a list of sheets showing the statement of engineering costs, these including the name of the particular engineer, the days he devoted to that particular project each month, the rate of his salary, and the amount charged that particular project; as, for an example, an engineer spent one day in connection with a particular project, his salary is stated to be at the rate of \$200 per month and there was charged against the project the amount of \$2.00 engineering costs, of which they hope to recover 50% from the Federal Government. This itemization goes only to the local office of the Bureau of Public Roads, and that would be the only Federal office that had the names of individuals, a recapitulation only going to the District Office and the Washington Headquarters. As to grade crossing projects, these are handled in exactly the same manner except that the government will reimburse the State for 100% of eligible items as distinguished from 50% in the regular Federal Aid projects. It will not, of course, purchase right of way. Mr. POSTELL was very carefully questioned as to possible contributions by any employees of the State Highway Department in whose salary there might be any contribution by the Federal Government in any form, and he stated very positively that such salaries had at all times been exempt from such contributions, and that even if such employees volunteered, they would not accept such contributions from them. As to the handling of Federal funds, he stated that the government never paid anything in advance, but that the State always paid for everything and that such funds were thereupon reimbursed by the Federal government so that no Federal funds were used to pay anyone directly, not even the contractor. He said a careful accounting is kept at all times of what Federal funds are used, and what they are used for, and that Auditors of the U. S. Bureau of Public Roads come around frequently to check this. However, he said there is maintained in the American National Bank in New Orleans a separate account which they refer to as the Federal Highway account, into which all the Federal contributions or reimbursements are paid, and from which account they are transferred to the general highway fund, and that no actual expenditures are made from this account, they being merely for the purpose of facilitating the account. He stated that when the Federal Treasury sends a check to the State Treasury for such funds or reimbursements, the check is sent to him; that he attaches thereto a note showing the distribution made of the money for which this is a reimbursement. The check, with this note attached, then goes to the Auditor's office, where an entry is made and the check is returned to the State Treasurer, who deposits it in an account to the credit of the Highway Department. When asked for a concrete example of a project under way where State Highway employees are being used, he referred to the Mississippi River Bridge being constructed at Baton Rouge. He stated that this is a Federal Aid highway project; that the bridge will cost about \$9,000,000, and that there will be approximately a \$2,000,000 Federal contribution thereto. He said that about 26 employees of the State Highway Department are engaged in connection with the bridge, under the Project Engineer, Mr. ERICKSON, these men test materials and make other inspections in connection with the work, report on its progress, etc. Questioned as to whether any

of these men are making contributions to the campaign fund, he said that not one of them is, although they are being paid out of the State funds at the present time, for the reason that it is hoped that some of these funds will be reimbursed by the Federal government when the project is completed. Mr. POSTELL further stated that he had in his office a record of every Federal Aid project in the State since 1919, and that a copy of this record is on hand in the local office of the U. S. Bureau of Public Roads, and at Washington. The cost of the activities in connection with each of these projects is broken down and segregated in these records so that there is a full accounting for every expenditure. At the present time there are 34 Federal Aid projects under way in the State of Louisiana.

On June 30, 1939, Agents WEEKS and PEYRONNIN interviewed M. J. CRAMER, Senior Highway Engineer of the Bureau of Public Roads, United States Department of Agriculture, Post Office Building, Baton Rouge, Louisiana, who is the head of that office at Baton Rouge. Mr. CRAMER verified practically all the information given by Mr. POSTELL. He stated he had been situated at Baton Rouge for a number of years; that he understands fully through reports that frequently reach him, sometimes through the newspapers, sometimes as a matter of gossip, but generally understood and known, that employees of the State Highway Department contribute to Mr. FOSTER COUVILLON, Purchasing Agent, 5% of their monthly income, which is alleged to be a contribution for campaign expenditures. He had no information that this was compulsory. He said he had heard that there were some who had refused to pay and had been fired. Questioned as to whether any employee of the highway department whose salary might be reimbursed by the Federal Government was making any such contributions to his knowledge, he stated that, of course, he could not make a statement as a matter of fact, but that he feels certain that they are not; that it is commonly known and referred to around the State Highway Department that to get assigned to a Federal Aid project is equivalent to a 5% raise in salary. He said further that he and the inspectors working under him are quite familiar with the employees of the State Highway Department, particularly the resident engineers, who are the only employees whose salaries might be reimbursed by the Federal Government, and that he feels confident that word would come to him if any of these individuals made such contributions. He said it is his recollection that some years ago, about 1933, when the Senate Investigating Committee was in New Orleans investigating HUEY LONG'S income, an individual named HENRY RICHARDSON, a resident engineer, was testifying before the Committee, and testified to having made the 5% contribution and was asked if they were voluntary and he said they were not on his part. He said he was not certain that this information was correct but that he has some recollection to that effect; and he said that thereupon there was a great deal of ado about the matter, and he had himself consulted A. P. TUGWELL, present State Treasurer, who was then Chairman of the Highway Commission, about the matter, and Mr. TUGWELL assured him that no employee of that department whose salary might be reimbursed by the Federal Government, in whole or in part, would ever have to make any

5% contribution, and as a matter of fact they would not be permitted to. He stated that it is his understanding that ever since that time, there has never been a 5% contribution made by any person engaged in connection with a Federal Aid project.

With reference to the construction of the Mississippi River Bridge at Baton Rouge, Louisiana, he verified the information given by Mr. POSTELL that there were about 26 or 28 engineers engaged on the project, but stated that it is his understanding that none of them are making the contribution, and that he believed that he would hear it if they were. He said that if they were making such contributions and it was found out, of course the State would just not put in any claim for reimbursement of the salary, so he suggested that if any investigation was going to be made, that the only investigation that would be feasible would be that on projects which had been completed, because the State could always thwart an investigation on a pending project by not claiming reimbursement. He said, however, he would be greatly surprised if anyone found that such contributions had been made, inasmuch as they are quite interested in keeping tabs on such situations.

The statements of Mr. POSTELL as to the manner of keeping records of these projects, and the manner of handling the funds, he verified in their entirety. He exhibited records of his office reflecting about the same thing as those exhibited by Mr. POSTELL, and indicating that he had the name of every resident engineer or State Highway employee whose salary had been claimed for reimbursement in whole or in part out of Federal Aid money.

He was asked as to whether the salary of CHESTER MARTIN who had caused a great deal of attention to be focused on the alleged "deduct" situation sometime ago had ever been reimbursed by the Federal government, and he said that it had not; that MARTIN was a clerk in the State Highway office, and that his salary was not one which could be reimbursed by the Federal Government in connection with any Federal Aid project; that he was paid entirely out of administrative expenses of the State Highway Commission, to which the Federal Government contributes nothing.

AT NEW ORLEANS, LOUISIANA

The following investigation was conducted by Special Agents
R. L. SHIVERS and C. W. DUNKER.

On June 30, 1939, between 11:00 a.m. and 12:10 p.m., JAMES A. NOE, State Senator from Monroe, Louisiana, was interviewed in Room 730, St. Charles Hotel. Pursuant to instructions from Special Agent in Charge B. E. SACKETT, NOE was requested to come to the New Orleans Division Office; however, NOE advised that he did not want to take the attitude that he was running to the office for help, but wanted to be honest and was going to devote his money and efforts to cleaning up Louisiana politics. He further advised that he was being followed, and if it was found out he came to the New Orleans Division Office, it would result in unfavorable publicity; that he would, however, cancel all appointments in event Mr. SACKETT wished to talk to him at the hotel.

In this connection, NOE advised that he received two anonymous telephone calls which had threatened him to "lay off." NOE inquired as to the reason for interviewing him, and he was advised that agents had been instructed to interview him for the purpose of obtaining information which might indicate a violation in which the United States is or might be a party in interest, involving a violation of the law over which the Bureau had investigative jurisdiction. At this time NOE was requested to keep the interview in confidence. NOE did not indicate that he would keep the interview in confidence, and advised he had previously promised DREW PEARSON of the Washington Merry-Go-Round and McCORMICK of the Chicago Tribune that he would give them all the information he received, and which they would publicize throughout the country, as he believed these men were honest and would assist him in this fight.

NOE advised that with reference to the 5% kickback, usually 40% government funds are used in the project and about 50% State funds, which go together in the general fund of the Highway Department; that a certain portion is paid to the contractor, and a certain portion is paid to the supervisors, which would result in their getting 40% government money, and the supervisors in turn are required to kick back 5% of their salaries to the heads of the departments, as well as the people working for the contractors; that this 5%, after being collected from the heads of the departments, is reported to be turned over to ROBERT MAESTRI, and is reported to amount to over a million dollars a year. NOE advised that CHESTER MARTIN probably could give more detailed information relative to the kickback.

NOE advised that with reference to the bridge at Baton Rouge, he had received information that part Federal money went into the project, and that the employees were required to kick back 5%; that in this project the employees are paid out of mingled Federal and State funds. He advised that one of the engineers on the project, whose name NOE would not mention, claimed that the politicians were stealing \$800,000 on the project, but NOE would not explain how this was being taken.

NOE advised that a lot of equipment was purchased for the Louisiana Polytechnic Institute at Ruston, Louisiana by State and Federal money, and it was arranged whereby the Standard Office & Supply Company, Monroe, Louisiana, would make a bid of between \$60,000 and \$70,000 dollars on the furniture, which bid they did receive. He advised that upon delivering certain furniture and fixtures, one of the teachers at the school objected to the goods delivered not being up to specifications whereupon ABERNATHY called the Governor, and the Governor instructed the school to accept the fixtures. He advised that about \$30,000 was reported to have been made on this deal; that KILPATRICK of the Standard Office & Supply Company, using ABERNATHY'S influence, sold office furniture and fixtures to schools and court houses all over the State.

NOE advised that he had already supplied the Attorney General with copies of affidavits relative to irregularities in the WPA and understood that the Bureau received copies. He advised that he was getting three additional affidavits from men who put bricks in a house of RICHARD LECHE and marked the bricks when they put them in for future identification, and that these bricks used were WPA bricks. NOE advised that the Maxwell Supply Company of Houston, Texas sold a certain kind of mud which was used in oil wells and was absolutely necessary to drilling; that all the oil companies in Louisiana are forced to buy mud from this company, and that Governor LECHE was head of this company.

NOE advised that EARL K. LONG has purchased a great deal of property in New Orleans and in Winnfield, Louisiana, and has large herds of cattle; that LONG has sold thousands of dollars worth of cattle to the State institutions. NOE advised he is presently checking LONG'S property holdings.

He advised that STANLEY BEHRMAN and HAMPTON REYNOLDS have separate contracting companies; that they sell cement to WPA and PWA and are the only companies that are permitted to bid on this material; that they will alternate in their bidding, one bidding high and one bidding low; that REYNOLDS fictitiously has his company at Birmingham, Alabama, so it will look better. He advised that no other companies are permitted in any way to interfere with the operation of these two companies in their bidding on projects as aforesaid. He advised that WILLIAM J. HAYS, another contractor, bid on a job in New Orleans and obtained the job; that he was the lowest bidder, but that MAESTRI closed down this project; that they went out and found how much profit HAYS would make on the job and paid HAYS \$6,000, whereupon HAYS quit the job and one of the other companies took it over; that HAYS is now in California and is afraid to talk, but that his wife would "talk her head off."

NOE advised that he received information from a person whose name he would not mention but who was present at the time LECHE resigned, that ROBERT MAESTRI and EARL K. LONG told LECHE he would have to resign

but that LECHE did not want to do so as he was trying to make a come-back by exposing SMITH; that LECHE did not want to quit and cried like a baby when he was forced to. NOE further advised that he presently has a man working for him who is right next to LONG and will keep him advised of everything that goes on, but he would not mention this man's name.

With reference to vote frauds, NOE claimed that JIMMY MORRISON of Hammond, Louisiana had affidavit of vote frauds which took place in the last election (this has already apparently been checked).

NOE stated that in making his investigation he had tried to protect Dr. SMITH as he felt that Dr. SMITH was all right, and he believed that Dr. SMITH became dishonest because he saw everyone else taking graft and decided he would take some himself. NOE advised that the set-up in the State was that EARL K. LONG, RICHARD W. LECHE and ROBERT MAESTRI were the ring leaders, while E. N. JACKSON, GLEN SHERRE, SHIRLEY WIMBERLY, GEORGE CALDWELL and T. P. HENRI are under them in the political graft. NOE appeared cooperative and he undoubtedly has some pertinent information relative to a general check-up of the State graft and additional affidavits of various irregularities. He indicated that he was not convinced that Washington would carry through any investigation started, due to the fact that previously some indictments had been returned against prominent people but were dismissed.

NOE advised, off the record, that he understood the half-wit brother of Dr. SMITH had caused a niece of this brother, who is about 13 years of age, to become pregnant and married her; that a Caesarian operation was finally necessary, which was paid for by Dr. SMITH.

The following investigation was made by Special Agent S. M. WOLF, on June 30, 1939:

CHESTER E. MARTIN, BFD #2, Baton Rouge, Louisiana (who may also be located through the Metropolitan Life Insurance Company, Baton Rouge, Louisiana, for whom he is sales representative) appeared at the New Orleans Office on June 30, 1939. Mr. MARTIN had been employed by the Louisiana Highway Commission from October 7, 1935 to May 18, 1938, during which time he was charged certain 5% deductions from his salary in the nature of a "kickback." This matter received certain publicity in May 1938 when Mr. MARTIN disclosed to the newspapers, as well as the United States Attorney's Office, New Orleans, this "kickback" situation and also the fact he had been actually dismissed from his employment when he refused to make certain of these payments, and that his employment was on projects, the expenses of which were partially defrayed with Federal funds. They were known as Federal Aid Projects.

The following written and signed statement was obtained from Mr. MARTIN:

New Orleans, La.
June 30, 1939

"I, Chester E. Martin, make the following free and voluntary statement to S. M. Wolf, known to me as a Special Agent of the Federal Bureau of Investigation, U. S. Dept. of Justice, no threats or promises of any sort having been made to me to induce me to make this statement.

"About Oct. 1, 1935 I received a telegram from Hunter Allen, then engineering auditor in charge of the estimate department of the Louisiana Highway Commission.

"Allen sent me this telegram care of my home in Covington, La. which was forwarded me at Leesville, La. It requested me to come to work for Mr. Allen's dept. at \$125.00 per month on Oct. 15, 1935. A day or so later I received another telegram from Mr. Allen requesting me to come to work the following Monday. I went to work October 7, 1935 at Baton Rouge, La. in Mr. Allen's department as computer of earth work at a salary of \$125.00 per month.

"I received my first pay check for the time I worked from October 7 to 15, 1935, receiving this check on or about October 15, 1935. Immediately thereafter, Mr. A. C. Cooper, Jr. who worked in the same department as I, asked me if I had been to see 'Mr. Ten Per Cent,' which statement of Mr. Cooper was overheard by Mr. Clifford Allen, also then working with the Louisiana Highway Commission. Cooper explained to me that 'Mr. Ten Per Cent' was the man to whom we employees of the Commission paid five per cent of our salary. The title of 'Mr. Ten Per Cent' meant merely the sum we paid amounted to ten per cent of one-half month's salary.

"I wanted to make certain Cooper was not just 'joking' with a new man (as I was) about this matter of 'kick-back', so I talked to Mr. Charles Peters, Assistant to Hunter Allen, and he verified what Cooper had told me previously and I also learned from Cooper and Peters that Frank

Williams was the man to receive this money. Williams, I understood, was carried on the payrolls, as right-of-way man working out of the Right-of-Way Dept. of the Louisiana Highway Commission. It was understood by rumor Frank Williams was transferred to the Governor's Office about the latter part of 1935 or first of 1936.

"After talking with Peters I saw Frank Williams and told him I understood he was the man to whom I was supposed to pay 5 per cent of my salary - and when he found my name on his list, I paid him in cash 5 per cent of the check I received Oct. 15, 1936.

"Albert Stegner, who worked in the same office as I did, later was the man to whom I made these payments of 5 per cent - but I cannot recall if he received the second payment I made November 15, 1935 or thereabouts, which was 5 per cent of my salary from October to November 15, 1935. We understood Stegner, like other men in the various departments, had been appointed by Williams to receive our 5 per cent payments and that he turned them over to Williams. I made these payments to Stegner through January, 1936, making them regularly - and the last payment I made at that period was on or about January 15, 1936.

"I made no payments from January 15, 1936 to May 12, 1936. James A. Noe, Lieutenant Governor, who took office of Governor about January 15, 1936 when Governor O. K. Allen died was Governor of Louisiana until May 12, 1936 when Richard W. Leche became Governor of Louisiana. During that period January 15 to May 12, 1936, the word was passed around among the Commission employees we did not have to pay this 5 per cent of our salary.

"As I recall, Hunter Allen about May 15, 1936 told we employees we must resume payment of the 5 per cent of our salary check as of May 15, 1936. He told us, and as I recall, it was a formal announcement, we were to make the payments to Foster Couvillion, purchasing agent of the Louisiana Highway Commission.

"From May through November, 1936 I made regular monthly payments in cash to Couvillion of 5 per cent of my salary check which amounted to \$7.00 per month. I might state Hunter Allen explained to we employees at the time of announcement of resumption of these payments on May 15, 1936 that he understood the reason for it was a campaign deficit existed which could be cleared in 3 or 4 months by collection of this amount from the employees which he said amounted to about \$10,000.00 per month as he understood.

"I did not make the regular 5 per cent payment in December 1936 and it was understood the reason the sum was not collected that month was because it was the Christmas month and sort of in the nature of a favor being extended the employees. However, during December, 1936 & the early part of January, 1937 it was rumored around the Commission offices a large printing press was being purchased and certain newspapers for State-wide distribution were to be published.

"On or about January 1, 1937 I received 10 subscription blanks to a newspaper, The Daily Progress and was told to sell them at \$2.00 each by January 15, 1937. Like subscriptions were distributed to other employees, and I understood the employees earning under \$100.00 per month salary were given 5 subscriptions to sell while those earning over \$100.00 per month

received 10 subscriptions for sale.

"Mr. McGaw, Assistant Chief Draftsman, announced about January 15 or 18, 1937 we could pay \$10.00 for the subscriptions January 15, 1937 and pay the remaining \$10.00 the following pay-day. I immediately gave to Mrs. Sullivan, Secretary to Mr. J. A. Kincaid, Office engineer, Louisiana Highway Commission, my personal check for \$10.00 dated January 18, 1937 made payable to the Daily Progress. I asked her for a receipt and she said she felt it was not necessary as she felt the cancelled check was sufficient receipt.

"On January 22, 1937 Mr. McGaw made the announcement in the drafting room we had to pay the remaining \$10.00 for our subscriptions to the Daily Progress and we had to 4:30 P.M. to do it. I then immediately paid the remaining \$10.00 I owed for my 10 subscriptions that day to Miss Sullivan by personal check as I had done before. I don't know why we were not required to pay the regular 5 per cent in January 1937 but it was generally understood the reason was because we had paid \$20.00 for the subscriptions to the Daily Progress, and because it was also understood we had paid this sum from our own pockets rather than by actual sale of subscriptions.

"I made 5 per cent payments of my salary check from February 15, 1937 through October, 1937, making the monthly payments of \$7.00 each by personal check to Foster Couvillion.

"Relative to the June 15, 1937 5 per cent payment in the sum of \$7.00 I did not make any effort to pay that time as I wanted to satisfy myself as to whether or not there was maintained a system of checking up on those who did not pay on the regular date. On July 3, 1937 Hunter Allen told me at my desk Mr. Kincaid told him Mr. Couvillion had called Kincaid to have me see him (Couvillion). I immediately made out my personal check in the sum of \$7.00 and took it to Mr. Couvillion and laid the check on his desk and walked out. Mr. Couvillion did not say anything then or later indicating he wanted anything else with me.

"I was not required to make regular 5 per cent payments in November and December, 1937 and it was understood we would have additional subscriptions January 1938 to sell to the Daily Progress.

"About January or February 1938 I received a booklet of 10 subscription forms to the Daily Progress to be sold at \$2.00 each. There was no 5 per cent 'kick-back' to be made in January, 1938, as I recall, but these payments were to be resumed the following month. I am not certain if these 'kick-backs' were ignored in January or February, 1938, but during the particular month the subscription forms were issued the payments were ignored, and then resumed the following month. I did not sell these subscriptions and also did not make the regular 5 per cent payments from my salary from January, 1938.

"On two or 3 occasions during 2 or 3 months thereafter Violet May Roseman stenographer for Hunter Allen told me Mr. Couvillion wanted to see me and I always ignored this admonition. About April, 1938 Mr. Kincaid called me in his office and asked what I was going to do about making the 5 per cent payments - that there were a lot of 'big shot' politicians around there and he did not think I could get away with it. Hunter Allen also talked to me immediately after Kincaid had talked to me and Allen tried

to persuade me to resume making the 5 per cent payments.

"On May 16, 1938 I had placed on each of the desks of the legislators in the State Capitol at Baton Rouge, La. a letter outlining what had been going on and telling of the way State employees were having to 'kick-back' part of their salary and the next day sent a copy of this same letter to the Times-Picayune newspapers at New Orleans and the Morning Advocate & State Times Baton Rouge, La.

"On May 18, 1938 Mr. Kincaid called me in Hunter Allen's office and had me sign a voucher for \$15.00, which as I understood, was to pay me for work on May 16, 17 & 18, 1938. I got no satisfaction from Kincaid as to whether this meant I was being discharged or not. He referred me to Mr. L. P. Abernathy, Chairman of the Louisiana Highway Commission - that he, Kincaid, knew nothing at all about it. Abernathy was not in his office and I told Mr. Harry B. Hinderlite, State Highway Engineer, whose office adjoins Abernathy's exactly what had transpired and he said he felt I could conclude I was discharged.

"I may state that about November, 1935 or thereabouts my duties changed from earth worth computer to that of what I understood were those given over to engineer auditors but I don't know if my classification was changed on the payrolls to engineering auditor.

"During the time I worked from October 7, 1935 to May 18, 1938 I worked on 14 projects which are identified as Federal Aid projects. These were projects in the construction of which Federal funds were used to defray the expenses either in whole or in part.

"I have read the foregoing statement of slightly more than 10 pages in long hand and it is true."

/s/ C. E. Martin

WITNESS:

Jack B. Minor
Sidney M. Wolf
Special Agents
Federal Bureau of Investigation
U. S. Dept. of Justice
1308 Masonic Temple Bldg.
New Orleans, La.

The above-quoted statement is being retained in the New Orleans file in this case, and it should be noted that the information relative to the original disclosures made by Mr. MARTIN above referred to, as they occurred in 1938, are contained in New Orleans Division File 86-17. Mr. MARTIN said CLIFFORD ALLEN referred to in his statement is no longer with the Louisiana Highway Commission and presently resides at Greensburg, La.; that ALBERT STEGNER, also referred to in his statement, is presently employed, so far as he knows, by the Rural Electrification Administration out of Jackson, Mississippi. MARTIN said that a Miss VARNADO, former payroll clerk, Louisiana Highway Commission, who was demoted shortly after MARTIN was discharged May 18, 1938 may be able to furnish interesting information as to how the funds of the Commission are handled. He said one HORACE LAWLER, who formerly worked in the drafting room of the Louisiana Highway Commission, and who he understands presently resides in Houston,

Texas, is a former employee of the Louisiana Highway Commission and is familiar with announcements that were made in the Commission offices to the employees relative to 'kick backs' as indicated in Mr. MARTIN'S statement. He said one PETE GREEN, whom he believes now to be in Houston, Texas, and who formerly had the same position as CHARLES PETERS, mentioned in MARTIN'S statement, may be able to furnish interesting information as to these kick backs. Mr. MARTIN said he is the only individual who has been actually discharged for failure to make the kick-back payments, and he believes it will be very difficult to obtain information from employees of the Louisiana Highway Commission, for the reason they will feel they are not only jeopardizing their livelihood, but perhaps their own personal safety in disclosing any information. MARTIN had a photostatic copy of a memorandum dated July 25, 1935 of HARRY B. HENDERLITE, addressed to the resident engineers on paving projects, which was to the effect that Tee-Juana Crack Filter (a substance used in making the expansion joints in laying concrete pavement, as explained by Mr. MARTIN) on Federal Aid Projects must be shown as non-participating. In other words, no Federal funds could be expended to purchase Tee-Juana Crack Filter. MARTIN said the Louisiana Materials Company, represented by JIM THOMAS, the Louisiana politician is the agent for this Tee-Juana Crack Filter, and it is his opinion the above-mentioned memorandum by HENDERLITE is purely a subterfuge by which the Tee-Juana Crack Filter is used on Federal Aid Projects and only ostensibly paid for with State funds. MARTIN had no basis for this notion other than the fact that he feels THOMAS, because of his political standing, has been able to sell this material for use on Federal Aid projects and it is probably paid for out of Federal funds. MARTIN also had copy of a letter from one S. C. SMITH, dated September 28, 1936, addressed to Mr. FOSTER COUVILLION, Louisiana Highway Commission, Baton Rouge, Louisiana, to the effect "enclosing contributions of my party for month of September 1936." It is understood that MARTIN obtained the carbon copy of this letter from the resident engineer file in the office of the Louisiana Highway Commission at Baton Rouge. MARTIN also told of an instance about the time of the Democratic National Convention in 1936 when tickets were being sold at \$1.00 each, ostensibly to send Democratic delegates from Louisiana to the Convention. MARTIN said one McBRIDE, then District Engineer for the WPA at Baton Rouge, told him of a threat to an individual whose identity he did not know, to cause him to lose his job if he did not pay his \$1.00. He said McBRIDE now works for the Gulf States Utilities at Baton Rouge. He also advised that at that time, HUNTER ALLEN, mentioned in his signed statement, had suggested to MARTIN that he pay his \$1.00, and further stated that after the Louisiana legislature adjourned, it being in session at that time, there were going to be individuals dropped from the payrolls, and he, ALLEN, did not think that MARTIN wanted to have his name taken from the payroll.

MARTIN informed that in all instances where alterations were made in the plans for collecting kick-backs, the same would be accomplished chiefly by rumor and supposition on the part of the employees, and it was always difficult to "put your finger" on any definite statement by a particular individual, or if a definite statement had been relayed to the

employees, the source of the particular statement. MARTIN exhibited photostatic copy of the last pay voucher he received from the Louisiana Highway Commission at the time of his discharge, and there is no indication on this instrument as to the source of the funds out of which the check was paid. MARTIN also has photostatic copies of various checks he tendered in payment of "kick-backs" during the latter months of his employment, as well as for subscriptions to the Daily Progress. He also has the originals of certain of these checks.

The following investigation was conducted by Special Agent R. L. SHIVERS:

United States Attorney RENE A. VIOSCA, New Orleans, telephonically contacted agent at the New Orleans Office on June 30, 1939, and stated that he had subpoenaed one JOHN CAMERON NELSON as a witness before the grand jury in the general WPA matter which that body is investigating, but that he was unable to reach NELSON and desired that he be interviewed by an agent of this office inasmuch as he had information which seemed to be pertinent to the grand jury inquiries. He stated that Mr. NELSON had been interviewed by Assistant United States Attorney J. SKELLY WRIGHT, and it appeared he has information concerning the use of Social Security funds.

JOHN CAMERON NELSON called at the New Orleans Bureau Office and was interviewed by Agent. He stated he has been employed as an interviewer by the State Employment Bureau of Louisiana for 16 months prior to May 5, 1939; that on the later date, he resigned his position to go to the Veterans' Hospital in Alexandria, Louisiana, where he remained until June 22, 1939. Mr. NELSON stated he has submitted an affidavit concerning his knowledge of certain matters into which the grand jury is inquiring; that the said affidavit was turned over to the Attorney General of the United States, Hon. FRANK MURPHY, who had in turn transmitted the affidavit to United States Attorney RENE A. VIOSCA at New Orleans.

Mr. NELSON advised that B. W. CASON is the Commissioner of Labor for the State of Louisiana and in such capacity has charge of the employment of the State Employment Bureau which is located at Baton Rouge, Louisiana. He said that there are twenty-three regional or district offices of the State Employment Bureau operating in the State of Louisiana, and that he was employed as an interviewer at the office in Bastrop, Louisiana until he resigned on May 5, 1939 as aforesaid.

Mr. NELSON stated that the employment compensation fund was administered by the Commissioner of Labor, B. W. CASON; that in the administration of this fund, checks are issued by the Treasurer of the State of Louisiana to claimants entitled thereto. Mr. NELSON advised that claimants entitled to unemployment compensation would file an application at the regional or district office, that if the claimant were found entitled to compensation, a pay order would be issued which would bear the name of the claimant and the name of the interviewer at

the regional office; that this pay order would be transmitted to the office of B. W. CASON at Baton Rouge, Louisiana, who would examine the same and if found to be correct would cause a check to be drawn to the order of the claimant, which would be transmitted to A. P. TUGWELL, Treasurer of the State of Louisiana, who would, accordingly, countersign same and mail it directly to the claimant. He said the State of Louisiana and the United States Government have been defrauded of considerable sums of money by the officials connected with the State Employment Bureau, who would cause duplicate pay orders to be issued to fictitious persons, that the officials in the State Employment Bureau at Baton Rouge would cause checks to be issued on these fictitious orders to fictitious individuals, and that after the checks had been returned from the bank, the cancelled checks and the duplicate pay orders would be destroyed.

In consummating this fraud, Mr. NELSON stated that the office of the State Employment Bureau at Baton Rouge, Louisiana, would communicate with one of the regional offices and advise that office that a certain pay order which bore a given number and a given Social Security number could not be located and requested that a duplicate pay order be prepared and transmitted to the Baton Rouge office, and that upon receipt of this request the regional office would prepare a duplicate pay order but that the said duplicate would not bear the claimant's name and would only show the name of the interviewer employed at the said regional office; that when this duplicate pay order reached the State Employment Bureau at Baton Rouge, Louisiana, that office would give it a different Social Security Number and make it payable to a fictitious person, that a check would then be drawn payable to this person which would be transmitted to the office of the Treasurer of the State of Louisiana, where it would be returned countersigned and returned to the State Employment Bureau. Mr. NELSON stated that some official in the State Employment Bureau would then cash this check which would be in the sum of \$18.00, and that when the check was returned to the State Employment Bureau by the bank after it had been paid, the said check and the fictitious duplicate pay order on which it was drawn would be destroyed. Mr. NELSON called attention to the fact that the checks drawn on original pay orders were mailed directly by the office of the Treasurer of the State of Louisiana, and pointed out that the checks drawn on the duplicate pay orders were returned to the office of the State Employment Bureau at Baton Rouge, by the State Treasurer, instead of being mailed out to the claimants as required by law.

It was Mr. NELSON'S opinion that it would be impossible to find a record of this practice at the headquarters office of the State Employment Bureau at Baton Rouge, Louisiana, inasmuch as the duplicate pay orders and the checks issued thereon would be destroyed after the checks were paid. He said the only way to uncover these irregularities would be to go to the regional offices throughout the State and collect all of the requests which the office in Baton Rouge had sent to these regional offices for duplicate pay orders, and that if these requests

could be obtained they could then be checked against the records of the office at Baton Rouge, and that that office would be unable to account for the duplicate orders. He said that a Social Security number would appear on all of the requests which the office at Baton Rouge had transmitted to the regional offices and that by checking the records in the office at Baton Rouge it would be found that a check was issued to the claimant with that Social Security number on the original pay order which was issued, which would of course show that there was no reason to request a duplicate pay order. It was stated by Mr. NELSON that an investigation of these facts would disclose that a considerable amount of money had been obtained by officials of the State Employment Bureau through these machinations.

Mr. NELSON further advised that if his information became public the regional offices would be directed to destroy all of these requests which the head office at Baton Rouge had made upon them for duplicate pay orders. It was stated by him that steps should be taken to contact the regional offices immediately for the purpose of obtaining the requests which they had received for duplicate pay orders, and that if these requests could not be obtained there would be no way to trace or verify any of the information which he has furnished.

No further investigation is being conducted until authorized by the Bureau.

PENDING

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT

New Orleans, Louisiana

FILE NO. **62-978**

ALL

REPORT MADE AT NEW ORLEANS	DATE WHEN MADE 7-8-55	PERIOD FOR WHICH MADE 5-22 to 5-25-55	REPORT MADE BY S. W. BUNN
TITLE LOUISIANA STATE OFFICIALS		CHARACTER OF CASE INFORMATION CONCERNING	
<p>SYNOPSIS OF FACTS:</p> <p>Interviews with State Treasurer, officials State Highway Dept., and official U.S. Bureau Public Roads indicate that caution is exercised in connection with collecting 5% contributions from State salaries so that no contribution will be obtained from any person whose salary may be reimbursed in whole or in part by Federal Government, so far as State Highway Department is concerned, and that this practice has been uniform since 1935. Information received that 5% contributions obtained from employees of all but few State departments, and indications are this money accumulated by J. M. FUSH, Business Mgr., Board of Commissioners of Dock Board of State of La., at New Orleans. State Party reported to have no Treasurer who takes care of or makes accounting of party funds or of these contributions. JAMES A. NOE, State Senator of Louisiana, advised he had promised newspapermen everything he got on irregularities in La.; that 5% contribution is collected by heads of State departments from employees who are paid with mingled State and Federal funds, but claimed he would not supply complete detail of irregularities unless he could be assured Washington would carry through prosecution. CHESTER MARTIN, formerly employed La. State Highway Commission, alleged he paid 5% kickback contribution. JOHN CAMERON NELSON, former employee of State Employment Bureau, under subpoena to appear before grand jury inquiring into WPA irregularities, claims that officials of State Employment Bureau, including B. W. GASON, have embezzled Social Security funds paid out under unemployment compensation by causing duplicate pay orders to be issued which were subsequently destroyed after checks issued thereon had been cashed by employees.</p>			
APPROVED AND FORWARDED:		SPECIAL AGENT IN CHARGE	
COPIES OF THIS REPORT 5 Bureau 5 New Orleans		DO NOT WRITE IN THESE SPACES	

25

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
COMMUNICATIONS SECTION
JUN 30 1939
TELETYPE

FBI NEW ORLEANS JUNE 29, 1939 30, 1939 2-30 PM SH

DIRECTOR
WASHINGTON

RECORDED

INDEXED

62-32509-120XB
FEDERAL BUREAU OF INVESTIGATION

JUL 18 1939

U. S. DEPARTMENT OF JUSTICE

TAMM

TOUR

STATE SENATOR

LOUISIANA STATE OFFICIALS, INFORMATION CONCERNING JAMES A. MOE HAS JUST BEEN INTERVIEWED HERE BY AGENTS THIS

HE UNDOUBTEDLY HAS GREAT DEAL OF PERTINENT INFORMATION AND FACTS VITALLY IMPORTANT TO A SUCCESSFUL GENERAL INVESTIGATION OF THE STATE SETUP AND IS STILL SECURING STATEMENTS, AFFIDAVITS AND INFORMATION INDICATING ADDITIONAL IRREGULARITIES OF ALL DESCRIPTIONS. WHILE HIS ATTITUDE WAS FRIENDLY HE FRANKLY STATED HE DID NOT KNOW HOW MUCH TO TELL OUR AGENTS SINCE HE WAS NOT CONVINCED THAT WASHINGTON WOULD CARRY THRU ANY INVESTIGATION STARTED DUE TO THE FACT THAT INDICTMENTS RETURNED SOME TIME AGO AGAINST PROMINENT PEOPLE HERE HAVE BEEN DISMISSED. HE FURNISHED GENERAL INFORMATION WHICH WOULD NOT BE OF MUCH VALUE IN OUR INVESTIGATION. HE KNEW NO SPECIFIC FACTS IN CONNECTION WITH THE FIVE PERCENT DEDUCTION FROM STATE EMPLOYEES PAY WHICH WOULD BE OF ASSISTANCE IN SUCH AN INVESTIGATION. HE DID FURNISH A LITTLE INFORMATION INDICATING USAVE WPA MATERIAL AND LABOR ON GOVERNOR LECHES PRIVATE RESIDENCE. MOE INDICATED THAT IF WASHINGTON WOULD ASSURE HIM THAT WE WOULD GO THRU WITH A THOROUGH INVESTIGATION OF THE FACTS, HE WOULD THEN GIVE US SPECIFIC AND DEFINITE INFORMATION. IT IS MY PERSONAL BELIEF THAT SUCH INFORMATION WOULD MOSTLY RELATE TO WPA LABOR AND MATERIAL IRREGULARITIES AND POSSIBLY GENERAL MISUSE OF GOVERNMENT FUNDS AND GENERAL CRAFT IN THE STATE GOVERNMENT

Mr. Tolson
Mr. Clegg
Mr. Coffey
Mr. Egan
Mr. Glavin
Mr. Crowl
Mr. Harbo
Mr. Lester
Mr. Lawler
Mr. Nichols
Mr. Rosen
Mr. Sears
Mr. Quinn Tamm
Mr. Tracy
Miss Gandy

RECORDED COPY FILED IN 62-32509-120XB

26

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
COMMUNICATIONS SECTION

JUN 30 1939

TELETYPE

PAGE 2

HE WAS ASKED TO KEEP THE AGENTS VISIT CONFIDENTIAL AND THEREUPON HE REPLIED THAT HE HAD PROMISED MCCORMICK OF THE CHICAGO TRIBUNE AND DREW PEARSON OF THE WASHINGTON MERRY GO ROUND COLUMN THAT HE WOULD GIVE THEM ANY INFORMATION HE RECEIVED FOR PUBLICATION. IT WOULD NOT THEREFORE APPEAR SAFE TO INTERVIEW NOE WITH THE EXPECTATION THAT HE WOULD KEEP THE INTERVIEW IN CONFIDENCE. FOR THIS REASON I WILL NOT PERSONALLY TALK TO NOE NOR WILL I HAVE ANY AGENTS AGAIN CONTACT HIM UNLESS YOU INSTRUCT TO CONTRARY. NOE DID NOT SEND ANY WRITTEN STATEMENTS OR DOCUMENTS TO US. HE STATED THAT HE TURNED ALL STATEMENTS AND AFFIDAVITS OVER TO THE ATTORNEY GENERALS OFFICE AT THE TIME HE WAS IN WASHINGTON SEVERAL WEEKS AGO AND HE UNDERSTOOD YOU HAVE COPIES OF THEM. HE OF COURSE HAS RECEIVED ADDITIONAL PERTINENT INFORMATION SINCE HE RETURNED FROM WASHINGTON WHICH HE HAS NOT APPARENTLY SENT TO WASHINGTON. NOE INDICATED THAT HE HAD INFORMATION THAT JAMES MONROE SMITH WAS IMPLICATED IN IRREGULARITIES AT LSU BUT THAT HE HAD THIS INFORMATION LEFT OUT OF AFFIDAVITS PRESUMABLY SUBMITTED BY WPA WORKERS BECAUSE OF HIS NOES PERSONAL FRIENDSHIP FOR DOCTOR SMITH. FOR THE BUREAU'S INFORMATION, AS I HAVE PREVIOUSLY INFORMED, I SECURED CONFIDENTIAL INFORMATION INDICATING THAT NOE CAUSED THE AFFIDAVITS ALLEGING WPA IRREGULARITIES WHICH FORMED THE BASIS FOR THE WASHINGTON

27

TELETYPE

FBI NEW ORLEANS JUNE 30, 1939 2-30 PM SH

DIRECTOR

WASHINGTON

LOUISIANA STATES OFFICIALS, INFORMATION CONCERNING STATE SENATOR JAMES A. NOE HAS JUST BEEN INTERVIEWED HERE BY AGENTS THIS OFFICE. HE UNDOUBTEDLY HAS GREAT DEAL OF PERTINENT INFORMATION AND FACTS VITALLY IMPORTANT TO A SUCCESSFUL GENERAL INVESTIGATION OF THE STATE SETUP AND IS STILL SECURING STATEMENTS, AFFIDAVITS AND INFORMATION INDICATING ADDITIONAL IRREGULARITIES OF ALL DESCRIPTIONS. WHILE HIS ATTITUDE WAS FRIENDLY HE FRANKLY STATED HE DID NOT KNOW HOW MUCH TO TELL OUR AGENTS SINCE HE WAS NOT CONVINCED THAT WASHINGTON WOULD CARRY NOW ANY INVESTIGATION STARTED DUE TO THE FACT THAT INDICTMENTS RETURNED SOME TIME AGO AGAINST PROMINENT PEOPLE HERE HAVE BEEN DISMISSED. HE FURNISHED GENERAL INFORMATION WHICH WOULD NOT BE OF MUCH VALUE IN OUR INVESTIGATION. HE KNEW NO SPECIFIC FACTS IN CONNECTION WITH THE FIVE PERCENT DEDUCTION FROM STATE EMPLOYEES PAY WHICH WOULD BE OF ASSISTANCE IN SUCH AN INVESTIGATION. HE DID FURNISH A LITTLE INFORMATION INDICATING US AVE WPA MATERIAL AND LABOR ON GOVERNOR LECHE'S PRIVATE RESIDENCE. NOE INDICATED THAT IF WASHINGTON WOULD ASSURE HIM THAT WE WOULD GO THROUGH WITH A THOROUGH INVESTIGATION OF THE FACTS, HE WOULD THEN GIVE US SPECIFIC AND DEFINITE INFORMATION. IT IS MY PERSONAL BELIEF THAT SUCH INFORMATION

28

C O P Y (gmr)

WOULD MOSTLY RELATE TO WPA LABOR AND MATERIAL IRREGULARITIES AND POSSIBLY GENERAL MISUSE OF GOVERNMENT FUNDS AND GENERAL GRIFT IN THE STATE GOVERNMENT. HE WAS ASKED TO KEEP THE AGENTS VISIT CONFIDENTIAL AND THEREUPON HE REPLIED THAT HE HAD PROMISED MCCORMACK OF THE CHICAGO TRIBUNE AND DREW PEARSON OF THE WASHINGTON MERRY GO ROUND COLUMN THAT HE WOULD GIVE THEM ANY INFORMATION HE RECEIVED FOR PUBLICATION. IT WOULD NOT THEREFORE APPEAR SAFE TO INTERVIEW NOE WITH THE EXPECTATION THAT HE WOULD KEEP THE INTERVIEW IN CONFIDENCE. FOR THIS REASON I WILL NOT PERSONALLY TALK TO NOE NOR WILL I HAVE ANY AGENTS AGAIN CONTACT HIM UNLESS YOU INSTRUCT TO CONTRARY. NOE DID NOT SUBMIT ANY WRITTEN STATEMENTS OR DOCUMENTS TO US. HE STATED THAT HE TURNED ALL STATEMENTS AND AFFIDAVITS OVER TO AN ATTORNEY GENERAL'S OFFICE AT THE TIME HE WAS IN WASHINGTON SEVERAL WEEKS AGO AND HE UNDERSTOOD YOU HAVE COPIES OF THEM. HE OF COURSE HAS RECEIVED ADDITIONAL PERTINENT INFORMATION SINCE HE RETURNED FROM WASHINGTON WHICH HE HAS NOT APPARENTLY SENT TO WASHINGTON. NOE INDICATED THAT HE HAD INFORMATION THAT JAMES MONROE SMITH WAS IMPLICATED IN IRREGULARITIES AT LSU BUT THAT HE HAD THIS INFORMATION LEFT OUT OF AFFIDAVITS PRESUMABLY SUBMITTED BY WPA WORKERS BECAUSE OF HIS NOES PERSONAL FRIENDSHIP FOR DOCTOR SMITH. FOR THE BUREAU'S INFORMATION, AS I HAVE PREVIOUSLY INFORMED, I SECURED CONFIDENTIAL INFORMATION INDICATING THAT NOE CAUSED THE AFFIDAVITS ALLEGING WPA IRREGULARITIES WHICH FORMED THE BASIS FOR THE WASHINGTON MERRY GO ROUND COLUMN TO BE WRITTEN AND THE INTERVIEW WITH NOE WOULD TEND TO CONFIRM THIS INFORMATION.

SACKETT

29

Federal Bureau of Investigation
United States Department of Justice
NEW ORLEANS, LOUISIANA
June 27, 1939

Honorable J. Edgar Hoover
Federal Bureau of Investigation
Washington, D. C.

PERSONAL and CONFIDENTIAL

AIR MAIL - SPECIAL DELIVERY

Dear Mr. Hoover:

RE: LOUISIANA POLITICAL SITUATION

Mr. Tolson _____
Mr. Nathan _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Egan _____
Mr. Glavin _____
Mr. Crowl _____
Mr. Harbo _____
Mr. Lester _____
Mr. Lawler _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Quinn Tamm _____
Mr. Tracy _____
Miss Gandy _____

I today sent the Bureau two teletypes giving today's developments in the Louisiana political situation, and this is for the purpose of confirming these teletypes and giving more details of the information contained therein.

This morning I telephonically contacted General GUERRE of the Louisiana State Police under appropriate pretext, and engaged in a general conversation with him concerning the matter. In this way it was determined that the State Police had absolutely no leads concerning the present whereabouts of Dr. JAMES MONROE SMITH other than the information I had previously reported that he was seen near St. Francisville, Louisiana Sunday night. It was also determined that Dr. SMITH'S wife's nephew, EMERY ADAMS, who is an executive of a grocery chain store organization in Baton Rouge, in which chain store Dr. SMITH also has a large financial interest, drove SMITH away from Baton Rouge Sunday. It appears that last night ADAMS surrendered to the State Police at Baton Rouge when he heard his presence was being sought for questioning. However, he definitely declined to make any statements or furnish any information concerning where he drove SMITH and was subsequently released on a \$5,000 bond, being held as a material witness. A warrant was issued last night by the District Court of East Baton Rouge Parish, based upon affidavit sworn to by a Deputy State Supervisor of Public Funds, charging SMITH with having embezzled \$100,000. General GUERRE expected to issue a circular containing SMITH'S photograph and description sometime today, which he expected to send all over the United States. He had not located any fingerprints of SMITH, however, at the time I talked to him. GUERRE did not ask for any assistance in connection with the distribution of such circular by our Bureau nor, of course, did I mention any such a possibility. In my teletype I suggested that the Bureau search its civilian fingerprint files on the remote possibility that Dr. SMITH may have had his fingerprints taken for civil identification purposes and sent to Washington sometime ago. I have not heard from the Bureau in this regard up to the dictation of this communication. I did not mention to GUERRE the fact that the fingerprint files of the Bureau would be searched.

I had lunch today with Colonel THOMPSON, the publisher, and CLARK SALMON, the managing editor, of the New Orleans Item-Tribune newspapers, both of whom you met while you were in New Orleans.

COPIES DESTROYED

170 SEP 17 1964

RECORDED & INDEXED
FEDERAL BUREAU OF INVESTIGATION
JUL 1 1939

U. S. DEPARTMENT OF JUSTICE

TAMM
30 TWO
NICHOLS

6-27-39

general conversations with these gentlemen, I secured confidential information from CLARK SALMON to the effect that Dr. SMITH had obtained a \$100,000 loan from the Hibernia National Bank in New Orleans on June 15th and previously thereto had obtained a \$300,000 loan from the National Bank of Commerce at New Orleans, and another \$100,000 loan from the City National Bank at Baton Rouge; that SMITH had put up as collateral Louisiana State University bonds which apparently had not been authorized by the State Board, and that these bonds were presently in possession of the banks. SALMON knew of these facts but would not publish them until they were announced by the state investigative officers. Later in the day, the State Attorney General ELLISON issued a statement which confirmed this information in detail, and giving date of the \$300,000 loan from the National Bank of Commerce in New Orleans as May 2, 1939 and the date of the loan negotiated by SMITH from the City National Bank of Baton Rouge as June 9, 1939; the date of June 15th for the \$100,000 loan from the Hibernia National Bank of New Orleans was also confirmed. It appears that according to the Attorney General's public statement, Dr. SMITH issued notes payable to these banks in the sum of the loan, in the name of Louisiana State University without the approval and consent of the State Bond and Tax Board, which made such loan, of course, illegal. It was also apparent that SMITH deposited as collateral for these loans bonds of the Louisiana State University. However, the details concerning the exact series of these bonds have not been made public, and apparently are not available at this time. Attorney General ELLISON ventured the opinion that the Louisiana State University nor the State of Louisiana were not liable for the loans negotiated by SMITH since such loans were unauthorized and did not constitute a legal obligation of either the State or the University. It was his contention that the banks would have to suffer the loss. It will be seen that the total of these loans is \$500,000. It is believed that the proceeds of the \$100,000 loan negotiated through the Hibernia National Bank on June 15, 1939 by SMITH was used by him to purchase a cashier's check with which he closed out his brokerage accounts with Fenner & Beane, a New Orleans brokerage concern.

It appears that SMITH was an extremely large speculator in the wheat market since at one time he was committed for two million bushels of wheat, which is all the Federal government regulations allow one man to have, and at the same time his intermediary broker, J. M. BROWN, had one and one-half million barrels of wheat, presumably for SMITH.

I learned from CLARK SALMON, confidentially, and this fact has not as yet been published by the press, that on a number of occasions Fenner & Beane, pursuant to SMITH'S orders, made checks payable

31

6-27-39

to various high officials of the State administration, which sums represent proceeds of SMITH'S brokerage account. This much was admitted apparently by Fenner of that firm to SALMON; however, FENNER would not disclose the names of these State officials. FENNER was of the personal opinion, however, that SMITH had checks drawn in the names of various persons in order that he could carry through his representations that he was dealing for a group of individuals, and not individually. This assumption, however, is very thin and is not believed to be accurate.

This afternoon Sheriff NEWMAN H. DeBRETTON of East Baton Rouge Parish offered a personal reward of \$250 for information leading to SMITH'S arrest, such reward, however, not to be payable to peace officers. Later this afternoon, it was announced that a special session of the East Baton Rouge Parish Grand Jury will convene at Baton Rouge at 10:00 o'clock tomorrow morning to hear testimony regarding SMITH'S irregularities.

In my teletype and communication last night, I informed you that DR. E. S. RICHARDSON had been named President of Louisiana State University. Today, RICHARDSON declined to accept the position, stating he preferred to remain President of the Louisiana Polytechnic Institute at a salary of \$6,000 per annum rather than accept the \$12,000 salary as Acting President of Louisiana State University. Governor LONG immediately named PAUL M. HERBERT, who has been Dean of the Louisiana State Law School since 1936, as Acting President. HERBERT is only 31 years of age at the present time, and first began to teach after his graduation from the Yale University Law School in 1929. He was appointed Dean of the Loyola Law School in New Orleans in 1932 and Dean of the Louisiana State University Law School in 1936.

Special Agent C. E. WEEKS in a casual conversation with Assistant United States Attorney HERBERT W. CHRISTENBERRY at New Orleans ascertained that the Federal Grand Jury had voluntarily and on its own initiative requested an opportunity to investigate the allegations of irregularities in the W.P.A. Administration at Baton Rouge, and that also the Division of Investigation investigators had informed the United States Attorney's Office that the individuals who had made written affidavits alleging irregularities declined to make any statements, claiming they wanted to make such statements at a public hearing. It was also determined that among the allegations are some indicating that certain buildings had been fabricated in the Coliseum of the Louisiana State University by WPA workers by WPA funds and had then been taken to the private residence of ex-Governor LECHE at Covington, Louisiana and set up as houses for the Governor's use. The WPA investigation is also said to involve the Superintendent of Construction at Louisiana State University in these irregularities. It was also indicated that the Division of Investigation men had not submitted a written report to the United States Attorney's Office as yet; however, they apparently have conferred with the United States Attorney's Office on the matter. It

32

6-27-39

was determined that subpoenas have been issued today for various WPA employees requiring them to appear before the grand jury this Friday, June 30th, to testify relative to the alleged irregularities. It is the expectation of the United States Attorney's Office that extensive testimony and evidence will be presented to the Federal Grand Jury over a period of probably several weeks.

Today's press here carried a story from Washington indicating that Secretary ICKES was instructing the P.W.A. to check into the funds expended by that organization in Louisiana. However, to date there has been no evidence of any activity of P.W.A. investigators.

I learned this afternoon that staff members of the New York Times and the New York Herald-Tribune newspapers are today in New Orleans collaborating with the staff of the New Orleans Item-Tribune, and that these men will stay here for at least several days going into the situation thoroughly and sending dispatches to their papers for publication. I also learned that there was a staff representative of the Chicago Herald-Tribune presently in New Orleans collaborating with the staff of the New Orleans States and Times-Picayune newspapers. These two last-mentioned newspapers are anti-State administration and have, as you know, been interested in exposing conditions in the state as much as possible. The Item-Tribune has been more or less pro-administration. For these reasons, I am of the belief that the articles which will appear in the Chicago Tribune will probably be more vicious and anti-State administration than those which will appear in the New York newspapers mentioned.

The New York Times representative who just arrived in New Orleans today, told CLARK SALMON that the rumor in the East is very persistent to the effect that you are coming to New Orleans personally to look into the entire Louisiana situation. A short time later my friend, F. EDWARD HEBERT, City Editor of the New Orleans States, called me and informed that there is a story being told by an individual who is a friend of EARL LONG, whose name HEBERT did not know, that he saw a telegram addressed to EARL LONG by you last night in LONG'S possession at Baton Rouge, advising that you are coming to Louisiana to institute an investigation. I thought you might be interested in these rumors.

The press today carried a story that the Congressional Subcommittee of which Representative CLIFFORD W. WOODRUM of Virginia is Chairman, was expected to make investigation of the W.P.A. administration in Louisiana, and were only delaying starting this investigation until funds were received upon which to conduct same. There is also some indication late this afternoon that the Internal Revenue agents were

6-27-39

seeking SMITH's apprehension since the press reported that such agents were checking the passport records locally for any information concerning SMITH.

Governor EARL LONG today adopted a more or less crusading spirit and attitude. He publicly proclaimed that a thorough investigation not only into all of the affairs of the University but into other state departments where irregularities may be expected, would be pushed to the fullest extent, even though it might involve some very close friends of his. He definitely adopted a "let the chips fall where they may" attitude.

The general belief here is that LONG is utterly unpredictable and no one dares to venture even a guess as to what he may plan to do. There appears to be a general belief here now that Dr. JAMES MONROE SMITH is probably hiding out not far from Baton Rouge in order to bargain for leniency on the possibility of making at least partial restitution; or that he may wait until the hub and cry die down and then come in and surrender, much like SAMUEL INSULL did.

There have been no resignations of any State officers today, to my knowledge, nor has LONG issued any statements regarding any contemplated requests for resignations. Neither has LONG issued any statements on the specific policies of his administration. I believe, however, that at the first meeting of the Legislature LONG will advocate the repeal of the law which is now in effect making it necessary for the Superintendent of the Louisiana State Police to approve Deputies Sheriff before they can be appointed. Also, as a possible indication of LONG'S future policies as Governor, it will be recalled that at the Louisiana Peace Officers' Convention he told the assemblage that when he was in the Governor's chair he would carry out the policies and principles laid down by his brother, HUEY LONG.

Ex-Governor and Mrs. RICHARD LECHE left Baton Rouge immediately after EARL LONG took oath of office, as Governor, last night motoring to their home in Covington, Louisiana, where they still are today so far as is known. It will be recalled that Governor LECHE apparently was extremely ill and bedridden last Wednesday night when he announced his intention to resign. The newspaper photographs of the resignation of LECHE and the inauguration of LONG last night show LECHE in a very amiable and happy frame of mind, and just about in the

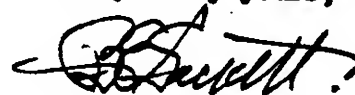
Hon. J. Edgar Hoover - Page 6

6-27-39

same condition as he was when General MURPHY and yourself were here a few weeks ago. The newspapers commented rather sarcastically today upon the fact that the Governor seemed to have recovered his health rather miraculously after the announced resignation.

I have sent you complete newspaper clippings from today's press, air mail special delivery. I will keep you advised of further developments as they occur.

Very truly yours,



B. E. SACKETT
Special Agent in Charge

BES:ALS

35

JOHN EDGAR HOOVER
DIRECTOR

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

JFS:COH

Time: 4:45 p.m.

June 29, 1939

MEMORANDUM FOR MR. TAMM

RE: POLITICAL SITUATION IN LOUISIANA
DR. JAMES MONROE SMITH

Mr. Tolson	✓
Mr. Nathan	✓
Mr. E. A. Tamm	✓
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Egan	✓
Mr. Glavin	✓
Mr. Crowl	✓
Mr. Harbo	✓
Mr. Lester	✓
Mr. Lowler	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Sears	✓
Mr. Quinn Tamm	✓
Mr. Tracy	✓
Miss Gandy	✓

me
Det. 1. m.
SAC Bugas called from Detroit to advise he had just learned that Smith and his wife bought a Ford car from an agency in Dearborn, Michigan, on Tuesday, June 27, for which they paid about \$800.00 in cash. The lady gave the name of T. M. Smith at the time of the purchase.

A license plate was obtained for the car and a check by the Detroit Police Department and other authorities in Detroit has reflected that the car went into Windsor, Canada, from Detroit between 4:00 p.m. and midnight, probably shortly after 4:00 p.m., on Tuesday, June 27.

The license number is 45792, 1939 Michigan plates. Mr. Bugas did not have the motor number but he is to obtain that information.

Dr. Smith and his wife purchased visitors permit No. P-29543.

In answer to my inquiry, Mr. Bugas stated that Doctor and Mrs. Smith have been definitely identified from the descriptions that appeared in a teletype.

According to Bugas, the Detroit Police and the Michigan State Police have been vigorously investigating this case since Monday. I instructed him to keep his investigation very discreet and that if there is anything the Bureau wants he would be advised.

Respectfully,

J. F. BEARS
J. F. BEARS

RECORDED

INDEXED

JUL 8 1939

U. S. DEPT. OF JUSTICE

*I am having
Canadian mounted
furnished with this
data.*
EOT

100-162-6

COPY (enr)
C. (enr)

FEDERAL BUREAU OF INVESTIGATION

WASHINGTON, D. C.

AR:COH
June 29, 1939
Time 2:55 p.m.

MEMORANDUM FOR MR. TAMM

RE: POLITICAL SITUATION IN

LOUISIANA

DR. JAMES MONROE SMITH

SAC Sackett called from New Orleans and stated the United States Attorney would like for the Bureau to get transcripts of the records for 1937, 1938 and 1939 of a lumber concern believed to be the Independence Lumber Company of Covington, Louisiana.

The U.S. Attorney has talked to Paul Hanson, who is in charge of the WPA Investigators in New Orleans, and questioned him about what information he might have concerning irregularities and particularly about any evidence against ex-Governor Leche. It appears that Hanson interviewed Leche concerning WPA labor and materials alleged to have been used on his private home in Covington, Leche having built a \$75,000.00 home and made certain grounds into a park. Leche claims he paid George Caldwell, Superintendent of Construction at Louisiana State University, for the labor on his home and that he used his own money in paying for the material. The lumber is supposed to have been purchased from the Independence Lumber Company of Covington, Louisiana, and Leche states he paid this company for the lumber.

Paul Hanson has not gone to the Independence Lumber Company to verify Leche's statement and the U.S. Attorney is not satisfied with Hanson's investigation. The U.S. Attorney would like for the FBI to obtain transcripts of records from this company pertaining to purchases, payments, et cetera but does not wish Hanson to know we are taking such action. After this information is obtained, Mr. Sackett stated that the U.S. Attorney probably will desire further investigation conducted in this respect by the FBI.

The WPA investigators are not sure about the name of the lumber company, that is, The Independence Lumber Company; however, they are to endeavor to definitely establish the name of this company.

Mr. Hanson has six men working on the investigation and has told the U.S. Attorney he will be able to furnish a picture of the situation in about three or four days. It is the opinion of the U.S. Attorney that

RECORDED
&
INDEXED

62-3561-128x
FEDERAL BUREAU OF INVESTIGATION
JUL 11 1939
U. S. DEPARTMENT OF JUSTICE

Federal Bureau of Investigation
United States Department of Justice
New Orleans, La.
June 22, 1939.

PERSONAL AND
CONFIDENTIAL

Hon. J. Edgar Hoover,
Federal Bureau of Investigation,
U. S. Department of Justice,
Washington, D. C.

Dear Mr. Hoover:

I believe you will be interested in the following information in connection with the recent visit of General Murphy and yourself to New Orleans.

Yesterday afternoon, some hours before Governor Leche indicated to the press his intentions to resign the Governorship, an agent of this office was in conversation with a confidential informant of ours, who is connected with a very large bookmaking establishment in New Orleans. During this conversation this individual stated that the gamblers, bookmakers and others in the underworld in New Orleans, believed, as a matter of fact, that when General Murphy was in New Orleans he flatly told Leche that the latter would never be appointed Federal Judge, and that he, General Murphy, would give him the same treatment that Pendergast received in Kansas City recently.

Another confidential contact of this office at the New Orleans Police Department has informed us that your visit here occasioned a great number of rumors and "scares" among officials of the Police Department, and throughout the city there were various rumors as to the purpose of your visit, some of them indicating you were making a tour of places you intended to raid, particularly as to houses of prostitution, and it was stated as a result of your visit thirty six prostitutes were thrown in jail and kept there for a week during the time you were here.

RECORDED & INDEXED

This informant further indicated it was his belief that there would be an investigation in this State that would make the Pendergast investigation look like a "two bit swindle", and that this investigation would be within a year.

I thought you would be interested in this reaction to your visit here recently.

Very truly yours,

B. E. Sackett,
Special Agent in Charge.

BES:WH

Mr. Tolson	✓
Mr. Nathan	✓
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Egan	✓
Mr. Glavin	✓
Mr. Crowl	✓
Mr. Harbo	✓
Mr. Lester	✓
Mr. Lawler	✓
Mr. Rosen	✓
Mr. Seare	✓
Mr. Quinn Tamm	✓
Mr. Tracy	✓
Miss Gandy	✓

JOHN EDGAR HOOVER
DIRECTOR

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

EAT:COH

June 30, 1939

Time: 11:45 a.m.

MEMORANDUM FOR THE FILE

RE: POLITICAL SITUATION IN
LOUISIANA

Mr. Tolson
Mr. Nathan
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Egan
Mr. Glavin
Mr. Crowl
Mr. Harbo
Mr. Lester
Mr. Lawler
Mr. Nichols
Mr. Rosen
Mr. Sears
Mr. Quinn Tamm
Mr. Tracy
Miss Gandy

SAC Sackett called from New Orleans and advised that the inquiry at the bank relative to the three loans totaling \$500,000.00 obtained by Dr. James Monroe Smith has been completed. In answer to his inquiry as to whether this information should be furnished U. S. Attorney Viosca, I told Mr. Sackett this would be referred to the Director for his instruction.

In connection with the request made by U. S. Attorney Viosca that we make an investigation at the Independence Lumber Company, Covington, Louisiana, I informed Mr. Sackett the Director had given permission to make this investigation, as well as to question J. M. Brown, a broker in New Orleans. Mr. Sackett also is to check Brown's bank account at the Louisiana Savings Bank.

RECORDED & INDEXED 62-32509-127

Mr. Sackett stated he would like for the Director to be advised of his reaction to the present status of the investigation being made in Louisiana. It appears to Mr. Sackett that U. S. Attorney Viosca does not know exactly what he wants under the blanket authority from the Attorney General and does not believe the investigation will be handled in the manner it would be handled by the Bureau.

The WPA angle, according to Sackett, at the present time presents the best possibilities on which to probably prosecute the majority of the officials, such as Leche, Ellison, Jackson of the State University, Caldwell and a number of others. Mr. Sackett stated there is no question but that these individuals used WPA funds and material in building private estates. To thoroughly investigate this angle, Mr. Sackett contemplates it will require the services of from twenty-five to thirty Agents. Mr. Sackett does not think a general income tax setup would be very productive as these individuals have been very careful, profiting by the mistakes of Capone and others.

Mr. Sackett also does not think the five per cent kickback

COPIES DESTROYED

A70 SEP 17 1964

MEMO FOR THE FILE

6-30-39

on the part of the State employees will materialize in so far as a Federal angle is concerned since there will not be any proof that the employees have been intimidated or threatened if they did not pay the five percent and inasmuch as there is a distinct question as to the comingling of Federal funds with the State funds being a violation.

Mr. Sackett is of the opinion that if the Bureau continues to check on minor angles for U. S. Attorney Viosca without knowing the background and the WPA investigation ultimately is unsatisfactory, which Sackett states undoubtedly will be the outcome, the FBI will be requested to take over the case.

I advised Mr. Sackett that the Director would be informed of the information furnished. I also advised Mr. Sackett that whenever he calls the Bureau in my absence that he should talk to Inspector Sears.



E. A. TAMM

JOHN EDGAR HOOVER
DIRECTOR

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

AR:COH

June 28, 1939

Time: 2:00 p.m.

MEMORANDUM FOR MR. TAMM

RE: ⁰ POLITICAL SITUATION IN
LOUISIANA

SAC Sackett called from New Orleans to advise that United States Attorney Viosca had just requested that we ascertain the details of the following loans obtained by Dr. James Monroe Smith, having in mind a possible violation of the National Bank Act:

<u>Date</u>	<u>FROM</u>	RECORDED & INDEXED	<u>Amount</u>
May 2, 1939	National Bank of Commerce, New Orleans		\$300,000.00
June 9, 1939	City National Bank of Baton Rouge		100,000.00
June 15, 1939	Hibernia National Bank New Orleans		100,000.00

Mr. Sackett stated he would take no action without specific instructions from the Bureau.

Sackett requested that the Civil files of the Identification Division of the Bureau be searched for prints of Smith and his wife.

With reference to Sackett's previous suggestion with respect to a check at the Department of State, Mr. Newby in the Washington Field Office was requested to obtain the passport information immediately.

Respectfully,

A. ROSEN

RECORDED COPY FILED IN

JOHN EDGAR HOOVER
DIRECTOR

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

EAT:GVC

July 1, 1939

Time: 1:45 p.m.

MEMORANDUM FOR THE DIRECTOR

RE: POLITICAL SITUATION IN
LOUISIANA
DR. JAMES MONROE SMITH

I called SAC Bugas and inquired if he had been contacted by the Agent who was going up in Ontario to Wigwassan Lodge.

Mr. Bugas stated that the Agent had called him about 12:30 p.m. and had informed him that he was taking a boat over to the lodge and would be out of communication for a few hours and then he would come back to the mainland and call Mr. Bugas.

I instructed Mr. Bugas to furnish no information by teletype to New Orleans or any other office but to notify the Bureau in Washington by telephone. I also told Mr. Bugas to keep the Agent up in Canada for a day or two and to have the Agent understand that he was to make no arrests but to notify Mr. Bugas in the event he came upon any important information, and for Mr. Bugas to notify me.

Respectfully,

E. A. TAMM
RECORDED

62-5509-126

FEDERAL BUREAU OF INVESTIGATION
JUL 6 1939
U. S. DEPARTMENT OF JUSTICE
FILES TWO

RECORDED COPY FILED IN 5-112-47

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

To: COMMUNICATIONS SECTION.

KAT:DM JUNE 20, 1939

Transmit the following message to:

SAC-NEW YORK

RECORDED & INDEXED

FEDERAL BUREAU OF INVESTIGATION

JUN 20 1939

U.S. DEPARTMENT OF JUSTICE

PLEASE FURNISH THE FOLLOWING INFORMATION TO MISTER HOOVER AT ONCE
IN CONNECTION WITH THE LOUISIANA SITUATION MISTER SACKETT ADVISED
THAT USA VIOSCA CALLED UPON MR. SACKETT THIS MORNING ADVISING THAT
THE ATTORNEY GENERAL HAD INSTRUCTED HIM TO ASK MR. SACKETT FOR ANY
ASSISTANCE DESIRED IN CONNECTION WITH THIS SITUATION. VIOSCA
STATED THAT THE ATTORNEY GENERAL HAD AUTHORIZED HIM TO CONTACT ALL
FEDERAL AGENCIES AND TO SECURE ANY INFORMATION INDICATING ANY
KIND OF A FEDERAL VIOLATION AND TO ASK FOR ANY ASSISTANCE HE NEEDED.
VIOSCA IS NOT CONFIDENT OF THE ACCURACY OR THOROUGHNESS OF THE
EPA INVESTIGATION THAT HAS BEEN MADE INTO THE IRREGULARITIES AT
LOUISIANA STATE UNIVERSITY AND HAS BEEN UNABLE TO OBTAIN INFORMATION
FROM THE WPA INVESTIGATORS OF AN ACCURATE NATURE ALTHOUGH THE
MAN IN CHARGE OF THIS INVESTIGATION IS RETURNING TO LOUISIANA
WASHINGTON TOMORROW. MISTER VIOSCA REQUESTS THAT THE BUREAU
IMMEDIATELY INSTITUTE A GENERAL AND BROAD INQUIRY OVER THE STATE
OF LOUISIANA TO ASCERTAIN ANY EVIDENCE OF IRREGULARITIES, CONTACTING
SUCH PERSONS AS A. P. TUGWELL PRESENTLY STATE TREASURER WHO
HAS RECENTLY DENOUNCED THE ADMINISTRATION INDICATING HE HAS
AGAINST IT, ALICE LEE TROJEAN FORMER SECRETARY TO HULY LONG, FORMER
LIEUTENANT GOVERNOR NOW AN OTH RS. IN ACCORD WITH YOUR INSTRUCTIONS
THE INVESTIGATION HAS BEEN AUTHORIZED. VIOSCA IS REQUESTING THE
INTERNAL REVENUE BUREAU TO FURNISH ALL INCOME TAX DATA ACCUMULATED
ON DOCTOR SMITH AND VIOSCA WILL ADVISE THE MATERIAL TO GET REPHASE
SENT VIA COPIES DESTROYED

170 SEP 17 1964

Per

A

RECEIVED-DIRECTOR
JUN 28 3 23 PM '39